

**EAST GREENE
COMMUNITY SCHOOL DISTRICT**

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2006

TABLE OF CONTENTS

	<u>Page</u>
Officials	1
Independent Auditor's Report	2-3
Management's Discussion and Analysis (MD&A)	4-12
Basic Financial Statements:	<u>Exhibit</u>
Government-wide Financial Statements:	
Statement of Net Assets	A 13
Statement of Activities	B 14-15
Governmental Fund Financial Statements:	
Balance Sheet	C 16
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D 17
Statement of Revenues, Expenditures and Changes in Fund Balances	E 18-19
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F 20
Proprietary Fund Financial Statements:	
Statement of Revenues, Expenses and Changes in Net Assets	G 21
Statement of Cash Flows	H 22
Fiduciary Funds Financial Statements:	
Statement of Fiduciary Net Assets	I 23
Statement of Change in Fiduciary Net Assets	J 24
Notes to Financial Statements	25-32
Required Supplementary Information:	
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances (Cash Basis) - Budget and Actual - All Governmental Funds and Proprietary Fund	33
Budgetary Comparison Schedule - Budget to GAAP Reconciliation	34
Notes to Required Supplementary Information - Budgetary Reporting	35
Other Supplementary Information:	<u>Schedule</u>
Nonmajor Special Revenue Funds:	
Combining Balance Sheet	1 36
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2 37
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	3 38-39
Fiduciary Funds:	
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	4 40
Schedule of Changes in Fiduciary Assets and Liabilities - Agency Fund	5 41
Comparison of Taxes and Intergovernmental Revenue	6 42
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	43-44
Schedule of Findings	45-47

EAST GREENE COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
-------------	--------------	---------------------

BOARD OF EDUCATION

(Before September, 2005 Election)

Katherine Neese	President	2005
Timothy J. Bardole	Vice President	2007
Mark Gannon		2005
Julie Derry		2007
Marc Hoffman		2006

(After September, 2005 Election)

Timothy J. Bardole	President	2007
Marc Hoffman	Vice President	2006
Katherine Neese		2008
Julie Derry		2007
John Lint		2008

SCHOOL OFFICIALS

G. Michael Harter	Superintendent
Brenda Muir	District Secretary
Jenny Wessling	District Treasurer

Independent Auditor's Report

To the Board of Education of the
East Greene Community School District:

We have audited the accompanying financial statements of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of East Greene Community School District, Grand Junction, Iowa as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of East Greene Community School District as of June 30, 2006 and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our reports dated August 24, 2006 on our consideration of East Greene Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 33 through 35 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise East Greene Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the two years ended June 30, 2005 (which are not presented herein) and expressed unqualified opinions on those financial statements. The financial statements for the year ended June 30, 2003 (none of which are presented herein) were audited by other auditors who expressed a qualified opinion on those financial statements due to the omission of the general fixed assets account group. Other supplemental information included in Schedules 1 through 6, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in our audit of the aforementioned financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BRUCE D. FRINK
Certified Public Accountant

August 24, 2006

EAST GREENE COMMUNITY SCHOOL DISTRICT

Management's Discussion and Analysis

East Greene Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2006. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2006 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$3,526,998 in fiscal year 2005 to \$3,602,496 in fiscal year 2006, while General Fund expenditures increased from \$3,583,885 in fiscal year 2005 to \$3,647,011 in fiscal year 2006.
- The increase in General Fund revenues was primarily attributable to increased state source revenues. The increase in expenditures was due primarily to annual raises for employees.
- The District collects local option sales tax funds from Greene and Boone Counties. These monies are being used for equipment and infrastructure purchases.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The government-wide Financial Statements consist of Statement of Net Assets and a Statement of Activities. These provide information about the activities of East Greene Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report East Greene Community School District operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which East Greene Community School District acts solely as agent or custodian for the benefit of those outside of County government.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor Special Revenue Funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
East Greene Community School District

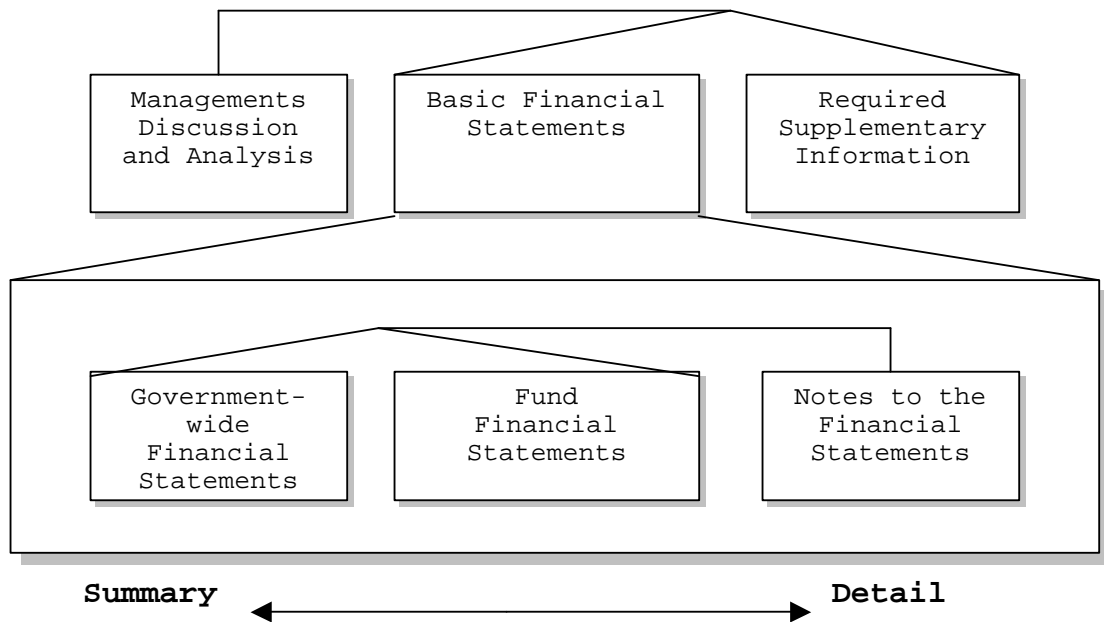


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of the management discussion and analysis highlights the structure and contents of each of the statements.

Figure A-2				
Major Features of the Government-wide and Fund Financial Statements				
	Government-wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses; food services and adult education	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide statements report the District's net assets and how they have changed. Net assets - the difference between the District's assets and liabilities - is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating, respectively. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how much cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's program.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Funds and Capital Projects Fund.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.
- 3) *Fiduciary Funds:* The District is the trustee, or fiduciary, for assets that belong to others, such as a scholarship fund. The District accounts for outside donations for specific purpose in this fund. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets - Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2006 compared to June 30, 2005.

Figure A-3
Condensed Statement of Net Assets
(expressed in thousands)

	Governmental Activities		Business Type Activities		Total School District		Percentage Change
	2006	2005	2006	2005	2006	2005	2005-2006
	\$	\$	\$	\$	\$	\$	
Current assets	2,917	2,644	37	39	2,954	2,683	10.10%
Capital assets	719	832	30	35	749	867	-13.61%
Total assets	<u>3,636</u>	<u>3,476</u>	<u>67</u>	<u>74</u>	<u>3,703</u>	<u>3,550</u>	<u>4.31%</u>
Current liabilities	2,605	2,325	-	3	2,605	2,328	11.90%
Non-current liabilities	50	53	-	-	50	53	-5.66%
Total liabilities	<u>2,655</u>	<u>2,378</u>	<u>-</u>	<u>3</u>	<u>2,655</u>	<u>2,381</u>	<u>11.51%</u>
Net Assets							
Invested in capital assets, net of related debt	685	788	30	35	715	823	-13.12%
Restricted	182	143	-	-	182	143	27.27%
Unrestricted	114	167	37	36	151	203	-25.62%
Total net assets	<u>981</u>	<u>1,098</u>	<u>67</u>	<u>71</u>	<u>1,048</u>	<u>1,169</u>	<u>-10.35%</u>

The District's combined net assets decreased by over 10%, or approximately \$70,000 over the prior year. Depreciation on fixed assets exceeded capital asset purchases by over \$100,000 which accounted for the decrease.

Unrestricted net assets - the part of the net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - decreased approximately \$52,000 or 26%. The decrease was primarily associated with the General Fund.

Changes in net assets - figure A-4 shows the changes in net assets for the year ended June 30, 2006 and 2005.

Figure A-4
Change in Net Assets
(expressed in thousands)

	Governmental Activities		Business Type Activities		Total School District		Total Change
	2006	2005	2006	2005	2006	2005	2005-2006
	\$	\$	\$	\$	\$	\$	
Revenues:							
Program revenues:							
Charges for service and sales	141	185	59	62	200	247	-19.03%
Operating grants, contributions and restricted interest	620	630	98	91	718	721	-0.42%
General revenues:							
Property tax	1,326	1,346	-	-	1,326	1,346	-1.49%
Income surtax	85	144	-	-	85	144	-40.97%
Local option sales tax	142	189	-	-	142	189	-24.87%
Unrestricted state grants	1,676	1,546	-	-	1,676	1,546	8.41%
Unrestricted investment earnings	9	8	-	-	9	8	12.50%
Other	25	2	-	-	25	2	1150.00%
Total revenues	<u>4,024</u>	<u>4,050</u>	<u>157</u>	<u>153</u>	<u>4,181</u>	<u>4,203</u>	<u>-0.52%</u>
Program expenses:							
Governmental activities:							
Instruction	2,720	2,623	-	-	2,720	2,623	3.70%
Support Services	1,051	1,011	-	-	1,051	1,011	3.96%
Non-instructional programs	3	3	161	137	164	140	17.14%
Other expenses	367	357	-	-	367	357	2.80%
Total expenses	<u>4,141</u>	<u>3,994</u>	<u>161</u>	<u>137</u>	<u>4,302</u>	<u>4,131</u>	<u>4.14%</u>
Change in net assets	<u>(117)</u>	<u>56</u>	<u>(4)</u>	<u>16</u>	<u>(121)</u>	<u>72</u>	<u>-268.06%</u>

Property tax and unrestricted state grants account for 72% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 88% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$4,023,793 and expenses were \$4,140,784.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5
Total and Net Cost of Governmental Activities
(expressed in thousands)

	Total Cost of Services			Net Cost of Services		
			Change			Change
	2006	2005	2005-2006	2006	2005	2005-2006
	\$	\$		\$	\$	
Instruction	1,972	2,623	-24.82%	1,323	1,953	-32.26%
Support Services	771	1,011	-23.74%	750	995	-24.62%
Non-instructional programs	-	3	-100.00%	-	3	-100.00%
Other expenses	<u>192</u>	<u>357</u>	<u>-46.22%</u>	<u>106</u>	<u>228</u>	<u>-53.51%</u>
Totals	<u>2,935</u>	<u>3,994</u>	<u>-26.51%</u>	<u>2,179</u>	<u>3,179</u>	<u>-31.46%</u>

- The cost financed by users of the District's programs was \$140,894.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$378,225.
- The net cost of governmental activities was financed with \$1,326,985 in property and other local taxes and \$1,675,707 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$157,061 and expenses were \$161,231. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for food service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, East Greene Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$980,773, an eleven percent decrease over last year's ending fund balances of \$1,097,764.

Governmental Fund Highlights

- The District's declining General Fund financial position is the result of several factors. The District has carefully monitored discretionary spending to avoid decreases in fund balances. Grants are obtained whenever possible to enhance the District's educational offerings.
- The District began collecting sales tax revenues from Greene County in July, 2004, this greatly increased the sales tax revenues as the majority of the District's students reside in Greene County. This money is being used for equipment and infrastructure purposes.

Proprietary Fund Highlights

The School Nutrition Fund balance decreased approximately \$4,000 during the fiscal year ending June 30, 2006. This was primarily a result of increased food costs.

BUDGETARY HIGHLIGHTS

The District's receipts were over \$260,000 higher than budgeted receipts. This variance resulted from the District receiving larger than expected miscellaneous and state source revenues.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's total certified budget should always exceed total actual expenditures for the year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2006, the District had invested over \$700,000, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about the District's capital assets is presented in Note 3 to the financial statements. Depreciation expenses for the year were \$204,642.

The original cost of the District's capital assets was \$2,730,904. Governmental funds account for \$2,667,875, with the remainder of \$63,029 accounted for in the Proprietary, School Nutrition Fund.

Figure A-6
Condensed Statement of Net Assets
(expressed in thousands)

	Governmental Activities		Business Type Activities		Total School District		Total Change
	June 30, 2006	June 30, 2005	June 30, 2006	June 30, 2005	June 30, 2006	June 30, 2005	2005-2006
	\$	\$	\$	\$	\$	\$	
Land	20	20	-	-	20	20	0.00%
Land improvements	112	65	-	-	112	65	72.31%
Buildings	268	288	-	-	268	288	-6.94%
Furniture and equipment	319	459	30	35	349	494	-29.35%
Totals	719	832	30	35	749	867	-13.61%

Long-term Debt

The District has a Technology Note Payable of \$33,600 for a building addition and ICN equipment at the high school building. The loan is a zero percent loan from Midwest Power Cooperative. Three payments of \$11,200 each are remaining.

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of existing circumstances that could significantly affect its financial health in the future.

- The SILO tax was passed by Boone County in 2003 and money began to be received by the District in March of 2004. Greene County also passed the tax and collections on that began in July, 2004. These funds will be used for infrastructure projects and equipment purchases.

- The District's health insurance costs continue to increase. Control of these costs is necessary to maintain a stable fund balance.
- Enrollment driven revenues, such as property taxes, and state foundation aid, can only be maintained by maintaining or increasing the District's student count.
- Unfunded mandates are stretching the limits of not only the financial health of the District, but also the human resources aspect of the District. "No Child Left Behind", "Student Achievement and Teacher Quality Act", "GASB 34", reduction in state aid for juvenile homes and the unfunded PSEO mandate to name a few.

CONTACTING THE DISTRICT'S FINANCIAL MANAGMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Jackie Ostrander, District Secretary, East Greene Community School District, 405 12th St S, Grand Junction, Iowa 50107.

Basic Financial Statements

EAST GREENE COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2006

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Assets			
Cash and pooled investments	421,101	20,981	442,082
ISCAP investments	991,643	-	991,643
Receivables:			
Property tax:			
Current year	23,057	-	23,057
Succeeding year	1,365,603	-	1,365,603
Income surtax	64,886	-	64,886
Due from other governments	40,701	6,503	47,204
ISCAP accrued interest	8,598	-	8,598
Other receivables	1,523	-	1,523
Inventories	-	9,233	9,233
Capital assets, net of accumulated depreciation (note 3)	718,570	29,985	748,555
Total assets	3,635,682	66,702	3,702,384
Liabilities			
Accounts payable	4,656	-	4,656
Accrued payroll and benefits	228,719	-	228,719
ISCAP warrants payable	991,000	-	991,000
ISCAP accrued interest payable	15,030	-	15,030
Deferred revenue:			
Succeeding year property tax	1,365,603	-	1,365,603
Long term liabilities:			
Portion due within one year:			
Early retirement	16,301	-	16,301
Technology note payable	11,200	-	11,200
Portion due after one year:			
Technology note payable	22,400	-	22,400
Total liabilities	2,654,909	-	2,654,909
Net assets			
Invested in capital assets, net of related debt	684,970	29,985	714,955
Restricted for:			
Management fund	41,085	-	41,085
Capital projects	97,125	-	97,125
Physical plant and equipment levy	43,656	-	43,656
Unrestricted	113,937	36,717	150,654
Total net assets	980,773	66,702	1,047,475

See notes to financial statements.

EAST GREENE COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2006

	Program Revenues					Total
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	
	\$	\$	\$	\$	\$	\$
<u>Functions/Programs</u>						
Governmental activities:						
Instruction:	<u>2,719,597</u>	<u>140,894</u>	<u>479,944</u>	<u>(2,098,759)</u>	<u>-</u>	<u>(2,098,759)</u>
Support services:						
Student services	72,501	-	-	(72,501)	-	(72,501)
Instructional staff services	147,347	-	-	(147,347)	-	(147,347)
Administration services	360,621	-	-	(360,621)	-	(360,621)
Operation and maintenance of plant services	331,164	-	3,759	(327,405)	-	(327,405)
Transportation services	<u>139,718</u>	<u>-</u>	<u>-</u>	<u>(139,718)</u>	<u>-</u>	<u>(139,718)</u>
	<u>1,051,351</u>	<u>-</u>	<u>3,759</u>	<u>(1,047,592)</u>	<u>-</u>	<u>(1,047,592)</u>
Non-instructional programs:						
Community service & education	<u>3,041</u>	<u>-</u>	<u>-</u>	<u>(3,041)</u>	<u>-</u>	<u>(3,041)</u>
	<u>3,041</u>	<u>-</u>	<u>-</u>	<u>(3,041)</u>	<u>-</u>	<u>(3,041)</u>
Other expenditures:						
Facilities acquisition and construction	33,928	-	2,631	(31,297)	-	(31,297)
AEA flowthrough	133,479	-	133,479	-	-	-
Depreciation (unallocated)*	<u>199,388</u>	<u>-</u>	<u>-</u>	<u>(199,388)</u>	<u>-</u>	<u>(199,388)</u>
	<u>366,795</u>	<u>-</u>	<u>136,110</u>	<u>(230,685)</u>	<u>-</u>	<u>(230,685)</u>
Total governmental activities	4,140,784	140,894	619,813	(3,380,077)	-	(3,380,077)

EAST GREENE COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2006

	Program Revenues				
		Charges for	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities
Expenses	Service				
\$	\$	\$	\$	\$	\$
Business type activities:					
Non-instructional programs:					
Nutrition services	161,231	58,813	98,248	-	(4,170)
					(4,170)
Total	4,302,015	199,707	718,061	(3,380,077)	(4,170)
					(3,384,247)
General revenues:					
Property tax levied for:					
General purposes				1,155,792	-
Management fund				85,372	-
Capital outlay				85,821	-
Income surtax				84,584	-
Local option sales tax				141,907	-
Unrestricted state grants				1,675,707	-
Unrestricted investment earnings				8,638	-
Other				25,265	-
					25,265
Total general revenue				3,263,086	-
					3,263,086
Change in net assets				(116,991)	(4,170)
					(121,161)
Net assets beginning of year				1,097,764	70,872
					1,168,636
Net assets end of year				980,773	66,702
					1,047,475

* This amount excludes the depreciation that is included in the direct expense of the various programs.

See notes to financial statements.

EAST GREENE COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2006

	General	Capital Projects	Nonmajor Special Revenue	Total
	\$		\$	\$
Assets				
Cash and pooled investments	224,338	75,867	120,896	421,101
ISCAP investments	991,643	-	-	991,643
Receivables:				
Property tax:				
Current year	20,039	-	3,018	23,057
Succeeding year	1,275,603	-	90,000	1,365,603
Income surtax	64,886	-	-	64,886
Due from other governments	19,443	21,258	-	40,701
ISCAP accrued interest	8,598	-	-	8,598
Other receivables	1,523	-	-	1,523
Total assets	<u>2,606,073</u>	<u>97,125</u>	<u>213,914</u>	<u>2,917,112</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	4,600	-	56	4,656
Accrued payroll and benefits	228,719	-	-	228,719
ISCAP warrants payable	991,000	-	-	991,000
ISCAP accrued interest payable	15,030	-	-	15,030
Deferred revenue:				
Succeeding year property tax	1,275,603	-	90,000	1,365,603
Income surtax	64,886	-	-	64,886
Total liabilities	<u>2,579,838</u>	<u>-</u>	<u>90,056</u>	<u>2,669,894</u>
Fund balances:				
Reserved for capital projects	-	97,125	-	97,125
Unreserved, undesignated	26,235	-	123,858	150,093
Total fund balances	<u>26,235</u>	<u>97,125</u>	<u>123,858</u>	<u>247,218</u>
Total liabilities and fund balances	<u>2,606,073</u>	<u>97,125</u>	<u>213,914</u>	<u>2,917,112</u>

See notes to financial statements.

EAST GREENE COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets

June 30, 2006

Total fund balances of governmental funds (Exhibit C)		\$ 247,218
Amounts reported for governmental activities in the statement of net assets are different because:		
Income surtax receivable at June 30, 2006 is not recognized as income until received in the governmental funds, however it is shown as a receivable in the Statement of Net Assets.		64,886
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		718,570
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		
Early retirement payable	\$ (16,301)	
Technology note payable	<u>(33,600)</u>	<u>(49,901)</u>
Net assets of governmental activities (Exhibit A)		<u>\$ 980,773</u>

See notes to financial statements.

EAST GREENE COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Fund Types

Year ended June 30, 2006

	General	Debt Service	Capital Projects	Nonmajor Special Revenue	Total
	\$	\$	\$	\$	\$
Revenues:					
Local sources:					
Local tax	1,240,376	-	141,907	171,193	1,553,476
Tuition	140,894	-	-	-	140,894
Other	33,903	-	2,631	105,478	142,012
State sources	1,978,700	-	-	88	1,978,788
Federal sources	208,623	-	-	-	208,623
Total revenues	<u>3,602,496</u>	<u>-</u>	<u>144,538</u>	<u>276,759</u>	<u>4,023,793</u>
Expenditures:					
Instruction	<u>2,580,916</u>	<u>-</u>	<u>-</u>	<u>130,966</u>	<u>2,711,882</u>
Support services:					
Student services	65,043	-	-	7,458	72,501
Instructional staff services	128,660	-	28,674	-	157,334
Administration services	353,042	-	-	7,579	360,621
Operation and maintenance of plant services	245,127	-	131,054	24,231	400,412
Transportation services	<u>137,703</u>	<u>-</u>	<u>-</u>	<u>8,315</u>	<u>146,018</u>
	<u>929,575</u>	<u>-</u>	<u>159,728</u>	<u>47,583</u>	<u>1,136,886</u>
Non-instructional programs:					
Community service & education	<u>3,041</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,041</u>
	<u>3,041</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,041</u>
Other expenditures:					
Long-term debt:					
Principal	-	11,200	-	-	11,200
Facilities acquisition and construction	-	-	-	33,928	33,928
AEA flowthrough	<u>133,479</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>133,479</u>
	<u>133,479</u>	<u>11,200</u>	<u>-</u>	<u>33,928</u>	<u>178,607</u>
Total expenditures	<u>3,647,011</u>	<u>11,200</u>	<u>159,728</u>	<u>212,477</u>	<u>4,030,416</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(44,515)</u>	<u>(11,200)</u>	<u>(15,190)</u>	<u>64,282</u>	<u>(6,623)</u>

EAST GREENE COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Fund Types

Year ended June 30, 2006

	General	Debt Service	Capital Projects	Nonmajor Special Revenue	Total
	\$	\$	\$	\$	\$
Other financing sources (uses):					
Operating transfers in	-	11,200	-	-	11,200
Operating transfers out	-	-	-	(11,200)	(11,200)
	-	11,200	-	(11,200)	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(44,515)	-	(15,190)	53,082	(6,623)
Fund balances beginning of year	70,750	-	112,315	70,776	253,841
Fund balances end of year	26,235	-	97,125	123,858	247,218

See notes to financial statements.

EAST GREENE COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
to the Statement of Activities

Year ended June 30, 2006

Net change in fund balances - total governmental funds (Exhibit E) \$ (6,623)

Amounts reported for governmental activities in the statement of
activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	85,535	
Depreciation expense	<u>(199,388)</u>	(113,853)

Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets. Current year repayments, are as follows:

Technology loan note payable	11,200
------------------------------	--------

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Early retirement	<u>(7,715)</u>
------------------	----------------

Change in net assets of governmental activities (Exhibit B) \$ (116,991)

EAST GREENE COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Fund

Year ended June 30, 2006

	<u>School Nutrition</u>
	\$
Operating revenue:	
Local sources:	
Charges for services	<u>58,813</u>
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	52,677
Benefits	20,639
Services	1,739
Supplies	80,922
Depreciation	<u>5,254</u>
Total operating expenses	<u>161,231</u>
Operating (loss)	<u>(102,418)</u>
Non-operating revenues:	
Interest on investments	243
State sources	1,973
Federal sources	<u>96,032</u>
	<u>98,248</u>
Change in net assets	(4,170)
Net assets beginning of year	<u>70,872</u>
Net assets end of year	<u><u>66,702</u></u>

See notes to financial statements.

EAST GREENE COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2006

	School Nutrition
	\$
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	58,813
Cash payments to employees for services	(73,316)
Cash payments to suppliers for goods or services	(62,224)
Net cash (used in) operating activities	<u>(76,727)</u>
Cash flows from non-capital financing activities:	
State grants received	1,973
Federal grants received	79,906
Net cash provided by non-capital financing activities	<u>81,879</u>
Cash flows from investing activities:	
Interest on investments	<u>243</u>
Net increase in cash and cash equivalents	5,395
Cash and cash equivalents beginning of year	<u>15,586</u>
Cash and cash equivalents end of year	<u><u>20,981</u></u>
Reconciliation of operating income (loss) to net cash used in operating activities:	
Operating (loss)	(102,418)
Adjustments to reconcile operating profit (loss) to net cash provided by (used in) operating activities:	
Depreciation	5,254
Commodities used	9,623
Decrease in other receivables	6,061
Decrease in inventory	7,822
(Decrease) in accounts payable	(3,069)
	<u>(76,727)</u>
Reconciliation of cash and cash equivalents at year end to specific assets included on Combined Balance Sheet:	
Current assets:	
Cash	<u><u>20,981</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2006, the District received federal commodities valued at \$9,623.

See notes to financial statements.

EAST GREENE COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets
Fiduciary Funds

Year ended June 30, 2006

	Private Purpose Trusts <u>Scholarships</u>	Agency <u>Funds</u>
	\$	\$
Assets		
Cash and pooled investments	<u>56,734</u>	<u>34,860</u>
Total assets	<u>56,734</u>	<u>34,860</u>
Liabilities		
Other payables	<u>-</u>	<u>34,860</u>
Net Assets		
Reserved for scholarships	<u>56,734</u>	<u>-</u>

See notes to financial statements.

EAST GREENE COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds

Year ended June 30, 2006

	Private Purpose Trusts <u>Scholarships</u>
	\$
Additions:	
Local sources:	
Contributions	1,061
Interest on investments	<u>1,113</u>
Total additions	<u>2,174</u>
Deductions:	
Instruction:	
Other	<u>5,025</u>
Total deductions	<u>5,025</u>
Change in net assets	(2,851)
Net assets beginning of year	<u>59,585</u>
Net assets end of year	<u><u>56,734</u></u>

See notes to financial statements.

EAST GREENE COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2006

(1) Summary of Significant Accounting Policies

East Greene Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. The geographic area served includes the Cities of Grand Junction and Rippey, Iowa, and agricultural territory in Greene and Boone Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

A. Reporting Entity

For financial reporting purposes, East Greene Community School District has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. East Greene Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Greene and Boone County Assessor's Conference Boards.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt that are attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operation fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District reports the following major proprietary fund:

The District's major proprietary fund is the Enterprise, School Nutrition Fund. The School Nutrition Fund is used to account for the food service operations of the District.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected with 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financial sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statement of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Balance

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking the budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2004 assessed property valuations; is for the tax accrual period July 1, 2005 through June 30, 2006 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2005.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and contributed value for government commodities.

Capital Assets - Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide statement of net assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 2,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	1,000
Other furniture and equipment	1,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - District employees accumulated a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability is deemed to be immaterial at June 30, 2006.

Long-term obligations - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the statement of net assets.

Fund Balance - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide statement of net assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2006, disbursements exceeded the amounts budgeted in the non-instructional program and other expenditures functions.

(2) Cash and Pooled Investments

The District's deposits at June 30, 2006 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public fund.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had no investments at June 30, 2006.

(3) Capital Assets

Capital assets activity for the year ended June 30, 2006 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Governmental activities:				
Capital assets not being depreciated:				
Land	20,000	-	-	20,000
Capital assets being depreciated:				
Land Improvements	273,787	59,121	-	332,908
Buildings	983,798	-	-	983,798
Furniture and Equipment	1,304,755	26,414	-	1,331,169
Total capital assets being depreciated	2,562,340	85,535	-	2,647,875
Less accumulated depreciation for:				
Land Improvements	207,962	13,316	-	221,278
Buildings	696,416	19,676	-	716,092
Furniture and Equipment	845,539	166,396	-	1,011,935
Total accumulated depreciation	1,749,917	199,388	-	1,949,305
Total capital assets being depreciated, net	812,423	(113,853)	-	698,570
Governmental activities, capital assets, net	832,423	(113,853)	-	718,570

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Business type activities:				
Furniture and equipment	63,029	-	-	63,029
Less accumulated depreciation	27,790	5,254	-	33,044
Business type activities capital assets, net	<u>35,239</u>	<u>(5,254)</u>	<u>-</u>	<u>29,985</u>

Depreciation expense was charged to the following functions:

Governmental activities:	
Unallocated	<u>199,388</u>
Business Type activities:	
Food service operations	<u>5,254</u>

(4) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2006, 2005, and 2004 were \$119,284, \$115,755, and \$120,648 respectively, equal to the required contributions for each year.

(5) Changes in Long-Term Debt

A summary of changes in long-term debt for the year ended June 30, 2006 is as follows:

	Note Payable	Early Retirement Payable	Total
Balance beginning of year	\$44,800	8,586	53,386
Additions	-	27,427	27,427
Reductions	<u>11,200</u>	<u>19,712</u>	<u>30,912</u>
Balance end of year	<u>\$33,600</u>	<u>16,301</u>	<u>49,901</u>

Note Payable:

The District has a \$112,000 note payable to Midland Power Cooperative with a zero per cent interest rate. The note is payable in ten equal annual installments of \$11,200 starting in July 2000 and ending with the July 2009 payment. These funds were made available through the Federal Rural Economic Development Loan and Grant Program and the funds were used to build an addition to the building in Grand Junction, Iowa to be used for the Iowa Communications Network (ICN) equipment and classes using that equipment.

Early Retirement:

The District offers a voluntary early retirement plan to its certified and non-certified employees. Eligible employees must be at least age fifty-nine and employees must have completed twelve years of continuous service to the District. Employees must also complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible certified employee is equal to 100% of the difference between the salary schedule base and the employees placement on the salary schedule. Supplemental pay, extended contract and phase monies are not included. The early retirement incentive for each eligible non-certified employee is equal to 25% of that employees salary in the last year of employment subject to a maximum of \$8,000 per individual.

(6) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$133,479 for year ended June 30, 2006 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(7) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2006 is as follows:

<u>Series</u>	<u>Warrant Date</u>	<u>Final Warrant Maturity</u>	<u>Investment</u>	<u>Accrued Interest Receivable</u>	<u>Warrants Payable</u>	<u>Accrued Interest Payable</u>
2005-06A	6/30/05	6/30/06	\$ -	-	-	-
2005-06B	1/26/06	1/26/07	415,445	8,419	414,000	10,497
2006-07A	6/28/06	6/28/07	576,198	179	577,000	4,533
Total			<u>\$991,643</u>	<u>8,598</u>	<u>991,000</u>	<u>15,030</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts, and must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2006 is as follows:

<u>Series</u>	<u>Balance Beginning of Year</u>	<u>Advances Received</u>	<u>Advances Repaid</u>	<u>Balance End of Year</u>
2005-06A	-	103,000	103,000	-
2005-06B	-	-	-	-
	<u>\$ -</u>	<u>103,000</u>	<u>103,000</u>	<u>-</u>

The warrants bear an interest rate and the proceeds of the warrants are invested at an interest rate as shown below:

<u>Series</u>	<u>Interest Rates on Warrants</u>	<u>Interest Rates on Investments</u>
2005-06A	4.000%	3.903%
2005-06B	4.500%	4.772%
2006-07A	4.500%	5.676%

(8) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2006 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Special Revenue: Physical Plant and Equipment Levy	<u>\$11,200</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

Required Supplementary Information

EAST GREENE COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances -
Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Fund
Required Supplementary Information

Year ended June 30, 2006

	Governmental Fund Types	Proprietary Fund Type	Total	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
	Actual	Actual	Actual	Original	Final	
	\$	\$	\$	\$	\$	\$
Receipts:						
Local sources	1,904,745	59,056	1,963,801	1,830,938	1,830,938	132,863
State sources	1,978,788	1,973	1,980,761	1,867,515	1,867,515	113,246
Federal sources	208,623	79,906	288,529	269,000	269,000	19,529
Total receipts	<u>4,092,156</u>	<u>140,935</u>	<u>4,233,091</u>	<u>3,967,453</u>	<u>3,967,453</u>	<u>265,638</u>
Disbursements:						
Instruction	2,538,948	-	2,538,948	2,734,000	2,734,000	195,052
Support services	1,136,886	-	1,136,886	1,290,500	1,290,500	153,614
Non-instructional programs	3,041	135,540	138,581	133,000	133,000	(5,581)
Other expenditures	178,607	-	178,607	150,822	150,822	(27,785)
Total disbursements	<u>3,857,482</u>	<u>135,540</u>	<u>3,993,022</u>	<u>4,308,322</u>	<u>4,308,322</u>	<u>315,300</u>
Excess (deficiency) of receipts over (under) disbursements	234,674	5,395	240,069	(340,869)	(340,869)	580,938
Other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,200</u>	<u>11,200</u>	<u>(11,200)</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	234,674	5,395	240,069	(329,669)	(329,669)	569,738
Balance beginning of year	<u>186,427</u>	<u>15,586</u>	<u>202,013</u>	<u>555,641</u>	<u>555,641</u>	<u>(353,628)</u>
Balance end of year	<u>421,101</u>	<u>20,981</u>	<u>442,082</u>	<u>225,972</u>	<u>225,972</u>	<u>216,110</u>

See accompanying independent auditor's report.

EAST GREENE COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule - Budget to GAAP Reconciliation
Required Supplementary Information

Year ended June 30, 2006

	Governmental Fund Type		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 4,092,156	(68,363)	4,023,793
Expenditures	<u>3,857,482</u>	<u>172,934</u>	<u>4,030,416</u>
Net	234,674	(241,297)	(6,623)
Other financing sources (uses)	-	-	-
Beginning fund balances	<u>186,427</u>	<u>67,414</u>	<u>253,841</u>
Ending fund balances	<u><u>\$ 421,101</u></u>	<u><u>(173,883)</u></u>	<u><u>247,218</u></u>

	Proprietary Fund Type		
	Enterprise		
	Cash Basis	Accrual Adjustments	Accrual Basis
Revenues	\$ 140,935	16,126	157,061
Expenditures	<u>135,540</u>	<u>25,691</u>	<u>161,231</u>
Net	5,395	(9,565)	(4,170)
Beginning fund balances	<u>15,586</u>	<u>55,286</u>	<u>70,872</u>
Ending fund balances	<u><u>\$ 20,981</u></u>	<u><u>45,721</u></u>	<u><u>66,702</u></u>

See accompanying independent auditor's report.

EAST GREENE COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2006

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2006, disbursements exceeded the amounts budgeted in the non-instructional program and other expenditures functions. The District did not exceed the General Fund unspent authorized budget.

Other Supplementary Information

EAST GREENE COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Non-major Special Revenue Funds

June 30, 2006

	Management	Student	Physical Plant and Equipment Levy	Total
	\$	\$	\$	\$
Assets				
Cash and pooled investments	39,580	39,117	42,199	120,896
Property tax receivable:				
Current year	1,505	-	1,513	3,018
Succeeding year	75,000	-	15,000	90,000
Total assets	<u>116,085</u>	<u>39,117</u>	<u>58,712</u>	<u>213,914</u>
Liabilities and Fund Balance				
Liabilities:				
Accounts payable	-	-	56	56
Deferred revenue:				
Succeeding year property tax	75,000	-	15,000	90,000
Total liabilities	<u>75,000</u>	<u>-</u>	<u>15,056</u>	<u>90,056</u>
Fund balance:				
Unreserved fund balance	<u>41,085</u>	<u>39,117</u>	<u>43,656</u>	<u>123,858</u>
Total liabilities and fund balances	<u>191,085</u>	<u>39,117</u>	<u>73,712</u>	<u>303,914</u>

See accompanying independent auditor's report.

EAST GREENE COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Special Revenue Funds

Year ended June 30, 2006

	Management	Student Activity	Physical Plant and Equipment Levy	Total
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	85,372	-	85,821	171,193
Other	3,189	101,807	482	105,478
State sources	44	-	44	88
Total revenues	<u>88,605</u>	<u>101,807</u>	<u>86,347</u>	<u>276,759</u>
Expenditures:				
Instruction:	27,839	103,127		130,966
Support services:				
Student support	7,458	-	-	7,458
Administration	7,579	-	-	7,579
Plant operation and maintenance	24,231	-	-	24,231
Student transportation	8,315	-	-	8,315
Other expenditures:				
Facilities acquisition and construction	-	-	33,928	33,928
Total expenditures	<u>75,422</u>	<u>103,127</u>	<u>33,928</u>	<u>212,477</u>
(Deficiency) of revenues (under) expenditures	13,183	(1,320)	52,419	64,282
Other financing (uses):				
Operating transfers (out)	-	-	(11,200)	(11,200)
(Deficiency) of revenues (under) expenditures and other financing uses	13,183	(1,320)	41,219	53,082
Fund balances beginning of year	<u>27,902</u>	<u>40,437</u>	<u>2,437</u>	<u>70,776</u>
Balance end of year	<u>41,085</u>	<u>39,117</u>	<u>43,656</u>	<u>123,858</u>

See accompanying independent auditor's report.

EAST GREENE COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2006

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
	\$	\$	\$	\$
Advisory Committee	3,260	41	2,071	1,230
High School Student Council	49	1,633	1,488	194
Junior High Student Council	23	-	-	23
Drama	300	856	260	896
Science 7-12	23	-	-	23
Vocal Music	48	1,035	1,033	50
Instrumental Music	382	2,802	1,724	1,460
Library	178	-	171	7
Vocational Agriculture	4	-	4	-
FFA	407	-	152	255
SADD	190	47	24	213
Home Ec	1,060	-	(2)	1,062
Industrial Arts	30	-	-	30
Class of 2004	453	-	453	-
Class of 2005	916	-	898	18
Class of 2006	11,653	1,816	12,194	1,275
Class of 2007	1,982	18,057	13,303	6,736
Class of 2008	47	6,977	4,630	2,394
Class of 2010	-	15	-	15
Class of 2011	-	20	-	20
Assembly	1,741	1,499	1,619	1,621
Lockers	1,141	57	214	984
Photography	311	652	710	253
Novels Club	-	445	302	143
National Honor Society	352	-	-	352
Athletic Fund Balance	-	17,799	16,134	1,665
Athletic Special	4,922	13,403	11,411	6,914
Basketball	-	5,062	5,062	-
Boys Basketball Fundraiser	521	1,194	-	1,715
Girls Basketball Fundraiser	240	2,365	2,097	508
Football	-	4,418	4,418	-
Baseball	-	2,338	2,162	176
Volleyball	-	2,337	2,337	-
Volleyball Fundraiser	59	-	20	39
Softball	-	-	888	(888)
Track	-	780	1,165	(385)
Golf	-	-	230	(230)
Magazine Sales	-	1,820	1,820	-
Weight Room	2,993	3,344	2,842	3,495

EAST GREENE COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2006

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
	\$	\$	\$	\$
Football Cheerleaders	105	353	431	27
Basketball Cheerleaders	-	371	366	5
Elementary Student Council	76	-	-	76
Elementary Yearbook	3,008	474	1,151	2,331
Art 1-6	1	-	-	1
Band - Elementary Resale	134	-	14	120
Annual	1,926	7,690	8,058	1,558
Art 7-12	707	634	230	1,111
Band - High School Resale	817	947	702	1,062
Art Club	378	526	341	563
Total	40,437	101,807	103,127	39,117

See accompanying independent auditor's report.

EAST GREENE COMMUNITY SCHOOL DISTRICT

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Fiduciary Funds - Private Purpose Trusts

Year ended June 30, 2006

	<u>Morse- Kennedy</u>	<u>Vivian & Howard Cox</u>	<u>Junction Masonic</u>	<u>Claus Loof</u>	<u>Beaty</u>	<u>Miscellaneous Scholarship</u>	<u>Cronin Scholarship</u>	<u>Totals</u>
	\$	\$	\$	\$	\$	\$	\$	\$
Revenues:								
Local sources:								
Contributions	-	-	61	-	-	-	1,000	1,061
Interest on investments	<u>29</u>	<u>351</u>	<u>28</u>	<u>542</u>	<u>163</u>	<u>-</u>	<u>-</u>	<u>1,113</u>
	<u>29</u>	<u>351</u>	<u>89</u>	<u>542</u>	<u>163</u>	<u>-</u>	<u>1,000</u>	<u>2,174</u>
Expenditures:								
Instruction:								
Regular instruction:								
Other	<u>25</u>	<u>1,600</u>	<u>100</u>	<u>800</u>	<u>500</u>	<u>1,000</u>	<u>1,000</u>	<u>5,025</u>
	<u>25</u>	<u>1,600</u>	<u>100</u>	<u>800</u>	<u>500</u>	<u>1,000</u>	<u>1,000</u>	<u>5,025</u>
Excess (deficiency) of revenues over (under) expenditures	4	(1,249)	(11)	(258)	(337)	(1,000)	-	(2,851)
Balance beginning of year	<u>1,033</u>	<u>24,934</u>	<u>1,711</u>	<u>20,213</u>	<u>10,694</u>	<u>1,000</u>	<u>-</u>	<u>59,585</u>
Balance end of year	<u><u>1,037</u></u>	<u><u>23,685</u></u>	<u><u>1,700</u></u>	<u><u>19,955</u></u>	<u><u>10,357</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>56,734</u></u>

See accompanying independent auditor's report.

EAST GREENE COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Fiduciary Assets and Liabilities
Agency Fund

Year ended June 30, 2006

Account	Balance Beginning of Year	Additions	Deductions	Balance End of Year
	\$	\$	\$	\$
Teachers Lounge	19	222	157	84
Board Clearing	511	749	268	992
Café Flex Plan	452	23,948	24,000	400
Foundation	-	34,177	793	33,384
	<u>982</u>	<u>59,096</u>	<u>25,218</u>	<u>34,860</u>

See accompanying independent auditor's report.

EAST GREENE COMMUNITY SCHOOL DISTRICT

Comparison of Taxes and Intergovernmental Revenues

	Years ended June 30,			
	2006	2005	2004	2003
	\$	\$	\$	\$
Local sources:				
Local tax:				
Property tax	1,326,432	1,345,605	1,410,625	1,439,339
Mobile home tax	553	573	537	366
Local option sales tax	141,907	188,978	1,692	-
Income surtax	84,584	78,687	65,195	-
	<u>1,553,476</u>	<u>1,613,843</u>	<u>1,478,049</u>	<u>1,439,705</u>
State sources:				
State foundation aid	1,678,183	1,545,476	1,396,184	1,532,168
AEA flow through	133,479	128,599	130,621	141,165
Instructional support	17,120	17,293	15,083	16,627
Educational excellence program:				
Phase I	25,678	25,678	25,487	25,678
Phase II	34,895	33,803	34,774	36,702
Phase III	-	-	-	9,119
Vocational education aid	3,348	-	2,438	5,804
Iowa Early Intervention Block Grant	25,584	24,993	25,527	-
Revenue in lieu of taxes - military credit	677	1,007	647	679
Teacher mentoring program	-	1,300	1,300	-
Teacher quality/salary improvement	45,153	39,135	36,720	-
Professional development	14,671	-	-	-
Other state aid	-	-	-	95,676
Lunch and breakfast programs	1,973	2,079	1,975	1,891
	<u>1,980,761</u>	<u>1,819,363</u>	<u>1,670,756</u>	<u>1,865,509</u>
Federal sources:				
Title I Grants to Local Educational Agencies	41,591	76,829	85,059	75,793
Safe and Drug Free Schools	4,138	3,173	3,039	2,479
Improving Teacher Quality - Grants to States	20,388	19,931	19,431	-
Data Driven Leadership Grant	-	-	2,700	-
Innovative Education Program Strategies	1,429	2,119	-	3,313
Rural Education Achievement Program	29,707	27,699	28,431	-
Vocational educational aid	7,220	-	-	-
Enhancing Education Through Technology	500	-	-	-
English Acquisition Grant	2,002	-	-	-
Special Education - Grants to States				
IDEA Part B	23,739	21,874	18,248	-
Grants for Assessments and Related Activities	4,356	4,392	-	-
Reading First	73,553	73,553	-	-
Food Distribution	9,623	9,492	10,028	-
National School Lunch and Breakfast Programs	86,409	79,105	68,149	66,550
Other	-	-	-	99,344
	<u>304,655</u>	<u>318,167</u>	<u>235,085</u>	<u>247,479</u>
Total	<u>3,838,892</u>	<u>3,751,373</u>	<u>3,383,890</u>	<u>3,552,693</u>

See accompanying independent auditor's report.

**Independent Auditor's Report on Internal Control over Financial
Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards**

To the Board of Education of the
East Greene Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the East Greene Community School District as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated August 24, 2006. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered East Greene Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe items 06-I-A and 06-I-B are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether East Greene Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2006 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of East Greene Community School District and other parties to whom East Greene Community School District may report, including federal awarding agencies and pass through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of East Greene Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

BRUCE D. FRINK
Certified Public Accountant

August 24, 2006

EAST GREENE COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2006

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

06-I-A Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties that are incompatible. The District has done a good job of segregating duties among the present staff, however, the District Secretary continues to have the ability to override the present controls and circumvent the internal control system.

Recommendation - We realize the job description, as defined by the Code of Iowa, of the District Secretary makes the segregation of duties even more difficult and the elimination of the possibility of administrative override of the system improbable. However, we feel the board and the administration should review these policies annually and with each personnel change to insure the best possible control climate is maintained.

Response - We will continue to review procedures to obtain the best controls possible.

Conclusion - Response accepted.

06-I-B Use of Signature Stamp - We noted that the Board President used a signature stamp to sign checks. We determined that control of the stamp was not maintained by the Board President, rather by the District Secretary. This allows the District Secretary to control both signatures required to sign checks under the Code of Iowa.

Recommendation - We recommend that control of the signature stamp be maintained by the Board President. If necessary, another individual may be designated to sign checks in the Board President's absence.

Response - We will investigate possible alternatives.

Conclusion - Response accepted.

EAST GREENE COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2006

Part II: Other Findings Related to Required Statutory Reporting:

06-II-A Official Depositories - Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2006.

06-II-B Certified Budget - Expenditures for the year ended June 30, 2006, did not exceed the amounts budgeted.

06-II-C Questionable Disbursements - We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

06-II-D Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

06-II-E Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Timothy Bardole, Board Member	Coaching	\$2,499
Katherine Nease, Board President	Substitute nurse	\$ 90

In accordance with Chapter 279.7A of the Code of Iowa, these transactions do not appear to represent conflicts of interest since they totaled less than \$2,500 for the fiscal year.

Recommendation - The District should review these expenditures to ensure legal compliance.

Response - We will review these on an annual basis and consult with our attorney when needed.

Conclusion - Response accepted.

06-II-F Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

06-II-G Board Minutes - We noted no transactions requiring Board approval which had not been approved by the Board.

06-II-H Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

EAST GREENE COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2006

Part II: Other Findings Related to Required Statutory Reporting:
(continued):

06-II-I Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

06-IV-J Certified Enrollment - The total limited English proficient weighting reported to the Iowa Department of Education on line 13 of the Certified Enrollment Certification Form for September 2005 was overstated. The District's certified enrollment count on line 13 included two Pre-K students. This resulted in overstating the actual weighting on line 13 by .44 students

Recommendation - The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.

Response - We have contacted the Iowa Department of Education and the Department of Management to resolve this matter and were instructed to bring the matter to your attention.

Conclusion - Response accepted.